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C O N F I D E N T I A L THE HAGUE 001722

SIPDIS

EUR/UBI, EB/ESC FOR DAS BORG AND J. EIGHMIE

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TAGS: [ENRG](#) [ETTC](#) [IR](#) [JA](#) [NL](#) [PREL](#)

SUBJECT: ILSA - READOUT FROM AMBASSADOR'S JULY 2 MEETING
WITH ROYAL DUTCH (SHELL) PRESIDENT JEROEN VAN DER VEER

REF: A. STATE 180247

[1](#)B. EIGHMIE-GREEN EMAIL 6/26

Classified By: Ambassador Cliffor M. Sobel for reasons a.5 (b) and (d)

[1](#)1. (C) On July 2 the Ambassador met with Jeroen van der Veer, President of the Dutch side of Royal Dutch Shell, to deliver demarche ref A regarding the Azadegan oil fields in Iran. Van der Veer was accompanied by Senior Regional Adviser Dr. Gavin Graham, who recently met with EB/ESC officials in Washington on June 25 (ref B).

[1](#)2. (C) Graham confirmed that Shell had urged the Japanese consortium to seek an extension of the MOU, arguing that politically this was not good time to be signing agreements. Graham noted that he found that the Japanese did not fully understand the potential international repercussions of a deal with Iran. "They did not appreciate the seriousness of the situation." However, commercial negotiations between Iran and the Japanese were "far from resolved," and this was likely also a factor in the Japanese decision to suspend for now. Graham said he did not expect the commercial negotiations to be completed soon. He noted that the June 30 deadline had passed without comment by Iran, perhaps showing a willingness not to force the issue.

Shell's Role -----

[1](#)3. (C) Shell does not have daily contact with the Japanese, and to date has provided only advice on the logistical aspects of the plan, not technology itself. Graham said the Japanese group initially approached Shell due to the company's experience in "heavy" oil, good record of cooperation with Japanese firms, and the fact Shell is a major supplier to Japan. Shell has no formal role in the Japanese proposal nor in discussions between Iran and the Japanese. However, Graham confirmed that if the Japanese reached agreement with Iran, Shell would consider involvement, first looking at the commercial feasibility of the agreement: "We are a commercial company, after all". If the pact was deemed to be commercially viable for Shell, it would then consider the political implications. Shell reiterated that its policy is to keep the USG informed of its actions, and that it follows a credo of "no surprises." Graham surmised that other companies would be willing to step in based on Shell's analysis.

[1](#)4. (C) Graham said Shell is looking at Iran today for its prospects 5 years down the road as a major player in oil and gas. Japan has similar long term interests: it is dependent on energy imports and Iran is a logical future source due to its geography. The Japanese will likely extend discussions with Iran with a view to signing an agreement at a point of time when political conditions are better. One way to remain involved while waiting for political conditions to improve might be to work on demining activity and on handling dangerous environmental problems.

Bangestan Field -----

[1](#)5. (C) Van der Veer said Shell initially looked positively at the Bangestan Field, but now sees environmental and social challenges, so they have dropped it from consideration. Furthermore, the terms offered by the Iranians were not good. Shell has closed its study group.

[1](#)6. (C) The Ambassador complemented Shell on its transparency, underlined the importance of the issue to the USG, and thanked them for their willingness to engage in frank dialogue.
SOBEL